

Perspectives

FOR ACTIVE
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

SPRING 2005 SPECIAL EDITION

*If you are a returning reservist from active military service, please refer to the article in this newsletter entitled **Returning Reservists and PERS Retirement Plans.***



This newsletter is published by
the North Dakota Public
Employees Retirement System
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Are You Retiring in 2005? *Here's What You Need to Know...*

The following proposed legislation was submitted for the 59th Session and if passed and signed by the governor will become effective August 1, 2005.

HB 1069

This bill allows for members retiring at or after their full retirement age to elect a Partial Lump Sum Option (PLSO). A retiring member may elect to take a partial lump sum distribution equal to 12 monthly payments of his/her Single Life/Normal retirement benefit. If this election is made, the member's monthly benefit would be permanently reduced. Members would still be permitted to choose one of the optional forms of payment for their continuing monthly benefit (e.g. Joint & Survivor or Term Certain Options). The amount of reduction in a member's monthly benefit will depend on the retiree's age. Most retirees who elect this option will still receive a monthly benefit equal to approximately 90% of the amount they would have received had they not elected this option. The PLSO would be eligible for roll over to IRA or other qualified plan. If not rolled over, PLSOs are taxed as ordinary income and are subject to automatic 20% withholding. Because a PLSO will increase most members' taxable income significantly in the year it is paid, those members will pay federal income tax on the PLSO at a higher rate than usual. Members younger than 55 who elect a PLSO and do not roll it over are also subject to a 10% penalty tax under the IRS Section 72(t).

This bill also removes the Five (5) Year Term Certain optional form of retirement benefit and replaces it with a 20 Year Term Certain option.

Finally, this bill amends the way the 4% employee retirement contribution is paid into the Defined Benefit Main System,

Highway Patrol, and Defined Contribution Plans for returning reservists. For more detail about this change, please refer to the article in this newsletter entitled *Returning Reservists & PERS Retirement Plans*. This portion of the bill has an effective date of July 1, 2005.

HB 1070

This bill changes the final average salary calculation for the Highway Patrol Retirement System. For member's retiring effective August 1, 2005 and thereafter, the final average salary calculation will be the highest non-consecutive months in the last 120 months. Currently, the final average salary calculation is the highest consecutive months in the last 120 months.

In addition, this bill provides that if the NDPERS board determines that the fund has obtained a total return on investments of 11.2% or higher for the fiscal year ending June 30, 2005, **members who have a retirement effective date on or before June 1, 2005 will receive a one-time supplemental payment equal to 50% of their monthly benefit paid in January 2006.** If the return as of June 30, 2005 is less than 11.2%, then the return as of June 30, 2006 will be evaluated. If this return is 11.2% or higher, members who have a retirement effective date on or before June 1, 2006 will receive the one-time supplemental payment equal to 50% of their monthly benefit paid in January 2007.

The supplemental payment will be made in either year of the biennium, but not in both.

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New Carrier for Group Life Plan

In October the PERS Board went out of bid for the group life plan in compliance with its established policy that every 6 years we must conduct a Request for Proposal process for our group insurance plans. Bids were due in December. Nine carriers responded to our request. The field was narrowed to the following two bidders:

- **ING (current carrier)**
- **Prudential**

Based on its responses to the RFP and price competitiveness, the Board selected Prudential as the new life carrier.

What You Need to Know... *Continued from front page*

HB 1266

This bill relates to returning to employment after retirement. Employees who retire at or after their full retirement age and who subsequently become employed with a different participating employer group may elect to permanently waive future participation in the retirement and retiree health credit plans in NDPERS and maintain retirement status.

North Dakota state agencies are considered one employer group and any member retiring with one state agency and becoming reemployed with another state agency

would not be eligible for the provisions of HB 1266. The following retired members may be eligible for the provisions of HB 1266:

Past Employer	to	New Employer
State		Political Subdivision
Political Subdivision		State
Political Subdivision		Political Subdivision

HB 1266 has an emergency clause and will be effective immediately following the governor's signature.

Returning Reservists and PERS Retirement

PERS has received a number of calls from employees returning from active military duty. The active duty may be covered under the Uniformed Services Employment and Reemployment Rights Act, (USERRA). To notify PERS of the return, a Notice of Status or Employment Change SFN 53611 must be completed by the employee's employer. Additional information regarding how the leave of absence impacts the PERS retirement plan for these returning reservists is available under the NDPERS News section of the NDPERS website at www.discovernd.com/ndpers.

As mentioned in the previous article, legislation proposed in HB 1069 will amend the way the 4% employee contribution is paid into the Main System Defined Benefit, Highway Patrol and Defined Contribution Plans for returning reservists covered under USERRA. Specifically the changes are:

1. For eligible veterans returning after the passage of the bill, the employer must pay the employee contribution for missed service for returning veterans in the same manner that the employer would have paid it had the veteran not been called into active duty.
2. For eligible veterans who returned to service since the passage of the Uniform Services Employment and Reemployment Rights Act, which became effective October 1, 1994, the employer must pay the employee contribution for that service in the same manner as outlined above in #1. An appropriation is provided in section 19 of HB 1069 for this purpose.
3. Provides that any past payments made by returning veterans that would qualify for employer payment since the passage of USERRA would be refunded to the employee and paid by the employer.

The above changes our present statute which requires the returning eligible veteran to pay the employee contribution of 4% for past service. The bill will have an effective date of July 1, 2005. The amendment requires that the veteran make application to the employer. To assist in the application process, PERS will be revising the Purchase Agreement for USERRA Covered Military Active Duty SFN 17758 and posting it to the PERS website by July 1. This form is required so that the cost of the purchase can be determined.

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